



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
801-359-3940 (Fax)
801-538-5319 (TDD)

August 20, 1996

CERTIFIED RETURN RECEIPT
P 074 978 997

Gary L. Jacobson
President
San Rafael Energy, Incorporated
P.O. Box 805
Moab, Utah 84532

Re: Partial Release of Reclamation Sureties, San Rafael Energy, Inc., Snow Mine M/015/013;
Four Corners M/015/014; and Probe Mine S/015/011, Emery County, Utah

Dear Mr. Jacobson:

On July 29, 1996, we received your letter requesting release of your reclamation bonds for the Snow, Four Corners and Probe mine sites, located in Emery County. On July 19, 1996, Division staff inspected these three mine sites and found the reclamation work completed thus far (earthwork, demolition and cleanup) to be satisfactory. Bureau of Land Management staff also inspected the sites and indicated to the Division they are satisfied with the work completed thus far. The partially reclaimed areas remain to be disked and seeded. Your contractor, Vern Shumway, indicated this seeding work would be performed this fall 1996.

The Division is prepared to partially release the reclamation sureties for these sites. A surety amount covering seeding costs will be retained until the revegetation at the sites has endured three growing seasons and/or achieves 70% of the pre-mining vegetation cover.

The reclamation surety posted with the Division for the Snow Mine is Savings Certificate No. 10804 with First Western National Bank in Moab for the sum of \$9,000. The reclamation surety posted with the Division for the Four Corners Mine is Savings Certificate No. 10805 with First Western National Bank in Moab for the sum of \$7,000. There is no surety posted for the Probe Mine which is categorized as a small mine. Copies of the Division's original reclamation estimates for the Snow and Four Corners Mine supporting these dollar amounts are attached. The Division has prepared a revised reclamation estimate for both mines (copy attached). The Division will require a reclamation surety in the amount of \$2,000 be retained for revegetation success at the Snow and Four Corners Mines.

The Division will release the original \$9,000 Savings Certificate to you at this time (enclosed). The Division will release the \$7,000 Savings Certificate after we have received a new

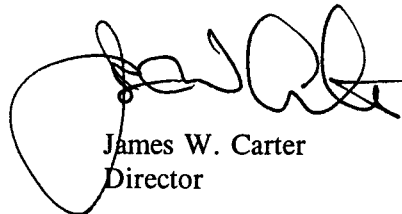
Page 2
Gary L. Jacobson
S/015/011
August 20, 1996

\$2000 replacement surety. You may post one new surety covering both operations. The replacement surety will have to be received by the Division before we can release the \$7,000 Savings Certificate. You may wish to have your financial institution contact us to work out the details of the surety replacement process to avoid overlap of committed funds. In addition to the replacement surety you will also need to submit a completed Reclamation Contract (FORM MR-RC). We have enclosed a blank Reclamation Contract Form and a guideline for completing the form. We suggest you keep a blank copy of this form on file until we have completed the surety replacement process. When you determine what type of replacement surety you wish to post for the reduced amount, please notify us so we may send you the appropriate forms.

The Probe Mine (file number S/015/011) is a small mine operation and has no surety requirement. Typically three growing seasons must pass before the Division can consider the site eligible for full reclamation release. Revegetation efforts must achieve the 70% success standard of the premining cover.

If you have any questions regarding this letter, please contact Wayne Hedberg or Tony Gallegos of the Minerals staff.

Very truly yours,



James W. Carter
Director

jb

Attachments: old DOGM surety estimates for Snow & Four Corners Mines, new DOGM surety estimate

Enclosures: original \$9,000 Savings Certificate No.10804

MR- RC Form & guideline for completion

cc: Neil Simmons, BLM, San Rafael RA w/ attachments

First Western National Bank, Moab UT 84532

sanrafel.rel